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2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 224

(Senator Lewis Young)

Budget and Taxation

Property Taxes - Authority of Counties to Establish a Subclass and Set a Special Rate for Commercial and Industrial Property

This bill authorizes Baltimore City and county governments to establish, by law, a subclass of improved real property consisting of the following real property assessment codes: (1) commercial; (2) industrial; (3) commercial/industrial condominium; (4) residential/commercial; and (5) commercial/residential. Baltimore City and county governments are authorized to set a special property tax rate for these real property classifications. The bill mandates either a property tax exemption or property tax credit for residential portions of commercial or industrial property. The bill authorizes a local property tax credit for specified small businesses. The bill adds a reporting requirement for jurisdictions that enact a special property tax rate. **The bill takes effect June 1, 2026, and applies to taxable years beginning after June 30, 2026.**

Fiscal Summary

State Effect: None.

Local Effect: Local property tax revenues (Baltimore City and county governments) may be affected depending on the real property tax rate that is set for commercial or industrial property. Local government reporting requirements can be handled with existing resources.

Small Business Effect: Potential meaningful. Small businesses that own commercial or industrial property may be affected depending on the real property tax rate set by Baltimore City or county governments.

Analysis

Bill Summary: Baltimore City and county governments may only impose a special property tax rate: (1) within a special taxing district established for the purpose of financing the cost of specified State or county transportation improvements; or (2) on a countywide basis for the purpose of funding the approved budget of the county board of education.

A special rate (1) must be in addition to the general real property tax rate; (2) may not exceed a combined total of \$0.125 for each \$100 of assessed value for both authorized purposes; and (3) may not apply to the residential portion of a specified mixed-use property that receives either an exemption from the special rate or a credit against the special rate. If Baltimore City or a county set a special rate, they must grant either (1) a credit against the special rate for the entire residential portion of a mixed-use property or (2) an exemption from the special rate for the entire residential portion of a mixed-use property.

Property Tax Credit or Exemption

A county may calculate the property tax credit or exemption (1) as a percentage of a mixed-use property's special tax liability that is equal to the percentage of the total square footage of the property that is used for residential purposes; (2) as a percentage of a mixed-use property's special tax liability that is equal to the percentage of the total income produced by the property that is derived from residential use; or (3) using any other reasonable method that ensures the entire residential portion of a mixed-use property is not subject to the special rate.

The credit or exemption continues for as long as the special rate is in effect. A county must automatically grant the credit or exemption without requiring an application from the property owner if, based on publicly available records, the county is able to: (1) identify a mixed-use property that is subject to the special rate; and (2) calculate the credit or exemption due for the residential portion of that mixed-use property. If, based on publicly available records, a county is able to identify a mixed-use property that is subject to the special rate but has insufficient information to calculate the credit or exemption due for the residential portion of that mixed-use property, the county may request additional information from the owner of the mixed-use property to enable the county to calculate the credit or exemption due. If an owner of a mixed-use property does not provide the information requested to calculate the credit or exemption due, the county is not required to grant the credit or exemption to that mixed-use property.

Applications and Notice

Baltimore City and counties must accept applications for the exemption or credit from an owner of a mixed-use property that is not automatically granted an exemption.

Baltimore City and counties must provide written notice of the exemption or credit to the owner of each property that is subject to the special rate and is not automatically granted an exemption or credit. The notice must include (1) a description of the exemption or credit and (2) instructions on how to apply for the exemption or credit. Baltimore City and counties may provide for (1) regulations and procedures for the application and uniform processing of requests for the exemption or credit and (2) any other provision necessary to carry out the exemption or credit.

Small Business Property Tax Credit

If Baltimore City or a county set a special property tax rate, Baltimore City or a county may grant a property tax credit against the special rate imposed on real property owned or leased by a business that employs 15 or fewer employees. Baltimore City and counties may provide for (1) the amount and duration of the tax credit; (2) additional eligibility requirements for the tax credit; (3) procedures for the application and uniform processing of requests for the tax credit; and (4) any other provision necessary to carry out the tax credit.

Current Law: Local property tax rates are set annually by local governments and are applied to the county and municipal assessable bases. Generally, State law does not restrict the setting of property tax rates, enabling local governments to set rates at the level required to fund governmental services. Under the Maryland Constitution, the General Assembly retains the authority to set maximum limits on the rate of property taxes in municipalities (subject to approval at a local referendum) and in code home rule counties. However, the Department of Legislative Services is unaware of any instances in which this authority has ever been exercised. Furthermore, local government statutes may limit the tax rates that may be set.

The local property tax rate is established by each county, Baltimore City, or municipality expressed as an amount per \$100 of assessed value. The county property tax rate may be supplemented by special property tax levies for special districts. Thus, local governments have the final authority for determining how much property tax revenue is generated.

Property Classification for Assessment Purposes

Title 8 of the Tax Property Article establishes the methods of property valuation and assessments and lists those classifications of property created by the General Assembly. For assessment purposes, property is divided into two classes – real property and personal property. Real property is divided into 11 subclasses, and personal property is divided into 7 subclasses. The State only imposes a property tax on real property, whereas county governments impose separate tax rates for real and personal property. Several county governments do not impose a personal property tax on business property.

Prior to fiscal 2025, Baltimore City and county governments were not authorized to set separate property tax rates among different subclasses of property. However, Chapter 277 of 2024 authorized Baltimore City and county governments, beginning July 1, 2024, to establish, by law, a subclass of real property consisting of vacant lots or improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice. Baltimore City and county governments are authorized to set a special property tax rate for properties within this subclass. An annual reporting requirement was included for jurisdictions that enact a special property tax rate. In addition, Chapter 170 of 2025 authorizes Baltimore City to impose the city's regular property tax rate and a special tax rate for specified vacant property on real property that would otherwise be exempt from taxation, if the real property is (1) a vacant lot or (2) improved property cited as vacant and unfit for habitation or other authorized use on a housing or building violation notice.

Unlike Baltimore City and county governments, municipalities have broader discretion to impose property tax rates on different classes of property. Municipalities may impose property taxes on those classes of property that it selects to be subject to the municipal property tax. In addition, municipalities retain the authority to classify property for local purposes and to impose different tax treatment on those classes. Furthermore, municipalities have the express power to exempt classes of property from taxation. Moreover, because municipalities may select the classes of property to be taxed and may set special rates for any class of property that is subject to the municipal property tax, municipalities retain the authority to levy different tax rates on selected classes of property.

Local Fiscal Effect: Local property tax revenues for Baltimore City and county governments may be affected depending on the real property tax rate that is set by each jurisdiction for specified commercial or industrial property. Based on information from the State Department of Assessments and Taxation, for fiscal 2026, there are 78,268 various improved commercial and industrial properties with an assessed value of approximately \$172.8 billion and 22,950 vacant commercial and industrial properties with an assessed value of approximately \$6.0 billion.

As a point of reference, **Exhibit 1** shows the estimated taxable real property assessable base for commercial and industrial property for fiscal 2026 and the potential revenue generated by various increases in county real property tax rates. The revenue impact reflects partial exemptions for property accounts designated as residential commercial and commercial residential. For each 1.0 cent increase in the real property tax rate on commercial and industrial property, local property tax revenues could increase by \$17.9 million. Based on a maximum combined 12.5 cent additional tax rate, local revenues could increase by \$223.6 million. The actual revenue increase may be lower due to the level of property tax exemptions and credits provided to both small businesses and other affected properties.

Exhibit 1
Potential Increase in County Revenues from Various Tax Rates for
Commercial and Industrial Property

County	FY 2026 Assessable Base	\$0.01 Increase in Tax Rate	\$0.125 Increase in Tax Rate
Allegany	\$1,115,738,000	\$111,574	\$1,394,673
Anne Arundel	19,239,050,000	1,923,905	24,048,813
Baltimore City	18,172,602,000	1,817,260	22,715,753
Baltimore	21,234,197,000	2,123,420	26,542,746
Calvert	1,126,506,000	112,651	1,408,133
Caroline	409,063,000	40,906	511,329
Carroll	2,995,528,000	299,553	3,744,410
Cecil	3,324,550,000	332,455	4,155,688
Charles	3,108,895,000	310,890	3,886,119
Dorchester	631,929,000	63,193	789,911
Frederick	7,916,401,000	791,640	9,895,501
Garrett	531,617,000	53,162	664,521
Harford	6,084,432,000	608,443	7,605,540
Howard	11,433,137,000	1,143,314	14,291,421
Kent	412,531,000	41,253	515,664
Montgomery	42,105,466,000	4,210,547	52,631,833
Prince George's	25,034,991,000	2,503,499	31,293,739
Queen Anne's	1,132,199,000	113,220	1,415,249
St. Mary's	1,804,338,000	180,434	2,255,423
Somerset	266,581,000	26,658	333,226
Talbot	1,164,875,000	116,488	1,456,094
Washington	4,897,264,000	489,726	6,121,580
Wicomico	1,553,963,000	155,396	1,942,454
Worcester	3,173,202,000	317,320	3,966,503
Total	\$178,869,057,000	\$17,886,906	\$223,586,319

Source: State Department of Assessments and Taxation; Department of Legislative Services

Additional information on local property tax rates and revenues for Maryland counties and Baltimore City can be found in the [County Revenue Outlook Report](#). Additional information on the county property tax base can be found in the [Local Government Overview Report](#). A copy of both reports is available on the Department of Legislative Services [website](#).

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 23 of 2025.

Designated Cross File: HB 90 (Delegate Fair, *et al.*) - Ways and Means.

Information Source(s): State Department of Assessments and Taxation; Maryland Association of Counties; Department of Legislative Services

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